

Message Text

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ORIGIN EA-09

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OSD/ISA/EAPR:KBLEAKLEY (DRAFT)

DOD/DSAA:CJAMESON (SUBS)

EB/ODF:NRIEGG (SUBS)

PM/SAS:RJSLOTT

DOD/DSAA/FMD:DESOTO (SUBS)

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P R 162236Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO CINCPAC

JUSMAG PH

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E.O. 11652: N/A

TAGS: MASS, RP

SUBJECT: PHILIPPINE AIR FORCE ARREARAGES

REFS: A. JUSMAG 190904Z DEC 75, B. SWIFT-CONNORS LETTER

DTD 2-5-76

1. U.S. AIR FORCE HAS BROUGHT TO ATTENTION OF NATIONAL ADVISORY COUNCIL (INTER-AGENCY GROUP WHICH PROCESSES ALL FOREIGN CREDITS) AN ARREARAGE IN PAYMENTS BY PHILIPPINE AIR FORCE UNDER PROCUREMENT CONTRACTS WITH USAF. ACCORDING TO USAF, PAF WAS IN ARREARS ON JUNE 30 FOR THE SUM OF USDOL 862,257, I.E., MORE THAN 90 DAYS PAST DUE. ALTHOUGH THERE HAVE BEEN OTHER PAYMENTS SINCE JUNE, ARREARAGES AS OF MARCH 16 TOTALLED USDOL 2.2 MILLION, TO AIR FORCE, USDOL
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118,000 TO NAVY AND USDOL 14,000 TO ARMY.

2. WHEN MATTER RAISED WITH JUSMAG IN DECEMBER LATTER REPLIED, PER REFTEL, THAT "SOME PERSONNEL WITHIN THE PHILIPPINE AIR FORCE ARE RELUCTANT TO PAY BILLS UNTIL THE MATERIAL IS RECEIVED IN COUNTRY".

3. THIS PROBLEM DISCUSSED WITH PHIL DEFENSE ATTACHE, COL. DOMINGO, JANUARY 19. DOMINGO AGREED TO SEEK ACTION. HOWEVER, AS OF MARCH 11 NO BACK PAYMENT HAD BEEN RECEIVED.

MATTER AGAIN RAISED WITH DOMINGO WHO UNDERTOOK TO PURSUE IT DURING HIS FORTHCOMING TRIP TO MANILA.

4. CHARGES IN QUESTION HAVE BEEN LEVIED UNDER VARIOUS CONTRACTS BETWEEN USAF AND PHILIPPINE ARMED FORCES, ALL EXECUTED ON STANDARD DOD FORM, WHICH INCLUDES TERMS FOR PAYMENT, IN MOST CASES ON BASIS OF "DEPENDABLE UNDERTAKING". THIS TERM DEFINED ON REVERSE OF FORM AS OBLIGING THE PURCHASER "TO PAY THE USG SUCH AMOUNTS AT SUCH TIMES AS MAY BE SPECIFIED BY THE USG", WITH NOTE THAT "REQUESTS FOR FUNDS MAY BE BASED UPON REQUIREMENTS FOR ADVANCES AND PROGRESS PAYMENTS TO SUPPLIERS OR DELIVERY FORECASTS AS THE CASE MAY BE". USAF NOTES THAT BILLS ARE RENDERED QUARTERLY AND THAT THEY ARE ADJUSTED TO REFLECT MAJOR DELAYS OR SHORTFALLS IN DELIVERY, BUT THAT THEY DO INCLUDE PROGRESS PAYMENTS AS REQUIRED UNDER CONTRACTS USG MAY HAVE WITH SUPPLIERS.

5. UNDERSTAND THAT THERE MAY HAVE BEEN PROBLEMS WITH MAINTENANCE OF THESE ACCOUNTS IN PAST MONTHS BUT BELIEVE ADMINISTRATIVE PROBLEMS HAVE BEEN OVERCOME. IN ANY CASE GOP DELAYS APPEAR NOT TO BE BASED ON SPECIFIC INSTANCES OF INACCURACY BUT ON ISSUE OF WHETHER PAYMENT CAN BE REQUIRED BEFORE DELIVERY. IN VIEW OF WELL-ESTABLISHED PROCEDURES AND STANDARD CONTRACT LANGUAGE, WE BELIEVE THIS ARGUMENT CANNOT BE ACCEPTED.

6. REQUEST EMBASSY RAISE THIS ISSUE WITH APPROPRIATE GOP AUTHORITIES, URGING DESIRABILITY OF BRINGING AFP ACCOUNT UP TO CURRENT STATUS AS SOON AS POSSIBLE. FYI. CONTINUED LIMITED OFFICIAL USE

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NON-PAYMENT COULD AFFECT FUTURE USG ACTION ON CREDITS TO GOP, INCLUDING FOR EXAMPLE BALANCE OF FY76 FMS LOAN OF USDOL 10.4 MILLION FOR C-130S AND ARMORED PERSONNEL CARRIERS. END FYI.

7. DEFENSE DEPARTMENT RECORDS INDICATE PHILIPPINE GOVERNMENT HAS ON DEPOSIT WITH U.S. ARMY TRUST FUND USDOL 4,361-247 DEPOSITED FOR FMS CASE DA-UDF. NO CHARGES HAVE BEEN

LEVIED UNDER THIS CASE AND ARMY HAS NO CURRENT DELIVERY
FORECASTS AND WOULD BE WILLING TO RELEASE THIS MONEY IF
GOP SO DESIRES FOR PAYMENT OF OUTSTANDING ARREARAGES. KISSINGER

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